



COMPTROLLER

OFFICE OF THE UNDER SECRETARY OF DEFENSE
1100 DEFENSE PENTAGON
WASHINGTON, DC 20301-1100

ACTION MEMO

TO: DEPUTY CHIEF FINANCIAL OFFICER

FROM: DIRECTOR FOR ACCOUNTING AND FINANCE POLICY AND ANALYSIS *8/10/05*

SUBJECT: Financial Statement Information for Environmental Liabilities

DISCUSSION: The attached memo is necessary because the Treasury Financial Manual changed and now requires more environmental liabilities information to be disclosed in the notes to financial statements than we currently require in the Department of Defense Financial Management Regulation (DoDFMR).

- The attachment to the memo provides all the necessary information Components are required to disclose. This information will be required for inclusion in the FY 2005 Defense-Wide Financial Statements.
- Since this is a recurring requirement, we will incorporate this list in our updated DoDFMR guidance.

RECOMMENDATION: Sign the attachment.

COORDINATION: None

Attachment(s)
As stated

Prepared By: Streit/ODCFO(A&FP&A)/3A882/697-0538/August 10, 2005/
(August 19, 2005/AFP05-08-05-542/File # 304.02.32) *8/10/05*

7/14/05



OFFICE OF THE UNDER SECRETARY OF DEFENSE
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COMPTROLLER

AUG 11 2005

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
DIRECTOR, DEFENSE RESEARCH AND ENGINEERING
COMMANDER, U.S. SPECIAL OPERATIONS COMMAND
COMMANDER, U.S. TRANSPORTATION COMMAND
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
INSPECTOR GENERAL OF THE DEPARTMENT OF
DEFENSE
ASSISTANTS TO THE SECRETARY OF DEFENSE
DIRECTOR, ADMINISTRATION AND MANAGEMENT
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Required Financial Statement Information for Environmental Liabilities.

The May 2005 version of Appendix 3 to the Treasury Financial Manual requires federal agencies to disclose additional environmental liabilities information beyond what is currently in the Department of Defense Financial Management Regulation ("DoDFMR"). A list of all information now required to be disclosed in the notes to the financial statements is attached. Please ensure Note 14 for your fiscal year (FY) 2005 financial statements provides disclosures listed in the attachment.

Because this information will be a recurring requirement, we will incorporate the attached list into the "DoDFMR" during the fourth quarter of FY 2005.

My staff point of contact for this matter is Mr. Phillip Streit. Please direct any questions to him at (703) 697-0538, or by email at phillip.streit@osd.mil.


Teresa McKay
Deputy Chief Financial Officer

Attachment:
As stated

Environmental Liabilities Disclosures Required in Note 14

1. Provide the following for the current and prior fiscal years (FY): For the FY 2005 financial statements, please provide the dollar value for the information as outlined below.

Disclosure	FY 2005	FY 2004
Amount of operating and capital expenditures used to remediate legacy waste. Legacy wastes are the remediation efforts covered by the Defense Environmental Restoration Program.		
The unrecognized portion of the estimated total cleanup costs associated with general property, plant, and equipment		
The estimated cleanup costs associated with general property, plant, and equipment placed into service during each fiscal year		
Changes in total cleanup costs due to changes in laws and technology.		
Portion of the changes in estimated costs due to changes in laws and technology that is related to prior periods		

2. Provide general narratives outlining the following:
 - Describe the methods(s) for assigning estimated cleanup cost to operating periods.
 - Provide the formulation of estimates regarding possible changes to cleanup costs due to inflation, deflation, technology, or applicable laws and regulations.
 - Provide the level of uncertainty regarding the accounting estimates recognized on the face of the financial statements.
 - List the applicable laws and regulations covering cleanup requirements.
 - Provide a description of the type of environmental and disposal liabilities identified.

29. Export-Import Bank of the United States	X	X
30. Department of Housing and Urban Development	X	X
31. Department of Energy	X	X
32. Department of Education	X	X
33. Department of Defense	X	X
34. Securities and Exchange Commission	X	X
35. Smithsonian Institution	X	X
36. All other agencies	X	X

“Text Data” Tab

1. Provide the following information as it relates to whole life insurance (SFFAS No. 5, par. 121): a description of each component of the liability for future policy benefits, an explanation of its projected use, and any other potential uses.
2. Provide the following information as it relates to life insurance (other than whole life) (SFFAS No. 5, par. 110, table 9): a description of each component of the liability for future policy benefits, an explanation of its projected use, and any other potential uses.
3. Provide additional disclosures required by SFFAS No. 5, par. 117 for whole life insurance programs.
4. For pension plans that differ from the Civil Service Retirement System (CSRS), the Federal Employee Retirement System (FERS), and the Military Retirement System (MRS), describe assumptions used (SFFAS 5, par. 67).
5. Provide the long-term projection (25 years) of the significant assumptions used in determining pension liability and the related expense.
6. Provide the long-term projection (25 years) of the significant assumptions used in determining the post-retirement health benefits liability and the related expense.
7. Provide any other relevant information pertaining to this note.

Note 12. Environmental and Disposal Liabilities

Enter the type and amount of the environmental and disposal liabilities for the current and prior year.

Note: The other environmental and disposal liability line will include any environmental and disposal liability that does not correspond with the major categories as defined by the agency.

“Line Item Notes” Tab

Enter the type and the current- and prior-year amounts for environmental and disposal liabilities.

	<u>Fiscal 2005</u>	<u>Fiscal 2004</u>
1. Agency entered description	X	X
6. Other environmental and disposal liability	X	X

“Other Notes Info” Tab**Section A**

Enter the related information for the total environmental and disposal liabilities amounts identified in the “Line Item Notes” tab.

	<u>Fiscal 2005</u>	<u>Fiscal 2004</u>
1. Amount of operating and capital expenditures used to remediate legacy waste	X	X
2. Unrecognized portion of estimated total cleanup costs associated with general property, plant, and equipment (SFFAS No. 6, par. 109)	X	X
3. Estimated cleanup costs when general property, plant, and equipment is placed into service	X	X
4. Changes in total estimated cleanup costs due to changes in law and technology	X	X
5. Portion of the change in estimated costs due to changes in law and technology that is related to prior periods	X	X

“Text Data” Tab

- ✓ 1. Describe the method(s) for assigning estimated cleanup cost to operating periods (SFFAS No. 6, par. 108).
2. Provide the formulation of estimates regarding possible changes to cleanup costs due to inflation, deflation, technology, or applicable laws and regulations (SFFAS No. 6, par. 111).
3. List the applicable laws and regulations covering cleanup requirements.
4. Provide a description of the type of environmental and disposal liabilities identified.
5. Provide any other relevant information pertaining to this note.

Note 13. Benefits Due and Payable**“Line Item Notes” Tab**

Enter the current- and prior-year amounts for each program under the agency’s responsibility.

	<u>Fiscal 2005</u>	<u>Fiscal 2004</u>
1. Federal Old-Age and Survivors Insurance	X	X
2. Federal Hospital Insurance (Medicare Part A)	X	X
3. Grants to States for Medicaid	X	X
4. Federal Supplementary Medical Insurance (Medicare Part B)	X	X
5. Federal Disability Insurance	X	X
6. Supplemental security income	X	X
7. Railroad retirement	X	X
8. Unemployment insurance	X	X
9 – 11. (Agency enter description)	X	X
12. Other benefits due and payable	X	X

Note 14. Insurance Programs – Insurance Programs Other Than Veterans Affairs**“Line Item Notes” Tab**

Enter the type and the current- and prior-year amounts for insurance.

	<u>Fiscal 2005</u>	<u>Fiscal 2004</u>
1. Agency entered description	X	X
... ..		
7. Other insurance programs	X	X

“Text Data” Tab

1. Provide a description for the type of insurance programs identified in the “Line Item Notes” tab.
2. Provide any other relevant information pertaining to this note.

Note 15. Other Liabilities**“Line Item Notes” Tab**

Enter the current- and prior-year data on the appropriate row. Lines 13-15 are available for agencies to enter items not listed.

	<u>Fiscal 2005</u>	<u>Fiscal 2004</u>
1. Deferred revenue	X	X
2. Accrued wages and benefits	X	X
3. Gold certificates	X	X
4. Other debt	X	X